

**Testimony before the House Committee on Energy and Commerce
Subcommittee on Commerce, Manufacturing, and Trade
on "U.S. Manufacturing Competitiveness"**

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Good morning Chairwoman Bono Mack, Ranking Member Butterfield, and Members of the Subcommittee. Thank you for inviting me to testify this morning. My name is Craig Giffi. I am a vice chairman with Deloitte LLP and I lead the organization's Consumer & Industrial Products Industry practices in the United States.

For the last several years, Deloitte has had the privilege of working with a number of global and national organizations focused on studying the complex linkages between manufacturing and economic prosperity, as well as understanding what nations can do to reap the benefits from having globally competitive manufacturing capabilities. Working in collaboration with the World Economic Forum, the U.S. Council on Competitiveness, and the Manufacturing Institute, Deloitte has collected input directly from business leaders and policymakers here and around the world, and labor leaders, university presidents, and the directors of some of America's leading national laboratories, as well as average American citizens here at home. The objective of this research has been to gather input and perspectives from business executives, subject matter experts, and other

stakeholders on U.S. manufacturing competitiveness. The key messages from this research are the source for my comments this morning.

For the past three years in a row, Deloitte and the Manufacturing Institute have conducted a national survey of the American public. The results indicate that Americans remain steadfast in their commitment to creating a strong, healthy, globally competitive manufacturing sector in the United States. The results of the most recent survey of average citizens reveals that 85 percent of Americans agree that manufacturing is very important to our standard of living, and 77 percent believe it is very important for our national security.

Asked how they would prefer to create 1,000 new jobs in their communities with any new business facility, Americans responding to the survey indicated they wanted those jobs to be in the manufacturing sector – more so than any other industry.

As part of our work with the World Economic Forum on their Future of Manufacturing Project, which was unveiled in Davos in January 2012, we identified compelling research from the Harvard Kennedy School and the MIT Media Lab which illustrates the importance and impact manufacturing has on a nation. This research indicates that the advancement of manufacturing capabilities is directly linked to a nation's economic prosperity and, importantly, the prosperity of its middle class. This result also suggests

that the health and vitality of a nation's manufacturing sector is the best predictor of economic growth over the long term. The research also shows that the more advanced the goods are that a nation makes, and the more advanced the manufacturing processes it uses, the greater the prosperity.

A great competition is underway between most nations – both emerging and developed – for the benefits that their economies can derive from a vibrant manufacturing sector.

In an effort to better understand manufacturing capabilities in the United States and gain perspective on what challenges are impacting the United States' ability to compete in today's global marketplace, Deloitte, in collaboration with the U.S. Council on Competitiveness, conducts a survey of the CEOs of manufacturing organizations around the world to gain their perspectives on the drivers of competitiveness, as well as their view of the relative ranking of nations in terms of manufacturing competitiveness. In addition, we conducted a series of one-on-one interviews on behalf of the Council with nearly 80 business leaders, labor leaders, university presidents, and directors of some of America's national laboratories.

The leaders participating in those interviews emphatically described the symbiotic relationship between manufacturing and innovation in an ecosystem that extends to include colleges, universities, national laboratories and the private and public sectors.

They also touched on the tremendous contribution and importance of the manufacturing sector to both the past and future economic success of the United States.

Interestingly, each interviewee independently refuted the idea that America can maintain its competitive advantage in research and scientific discovery without also maintaining its superiority in manufacturing. Many participants dedicated significant portions of time providing detailed explanations of how basic research and applied research is informed by and improved by a close connection to the actual process of making products and through scaling up new ideas and inventions.

Not surprisingly, interview participants and survey respondents identified talent-driven innovation as the key driver of a country's manufacturing competitiveness, while also noting the growing skills gap in America as one of the most concerning challenges affecting U.S. manufacturing competitiveness.

According to a recent survey of U.S. manufacturers conducted by Deloitte and the Manufacturing Institute, 67 percent of executives report moderate to severe shortages of available, qualified workers – translating into more than 600,000 available jobs that can't be filled today simply because employers cannot find workers with the skills they need.

In today's borderless economy, participants overwhelmingly agreed that the United States must be the global leader in attracting, developing and retaining top science and engineering talent to drive world class innovation and R&D, but it must also develop and retain the best and highest skilled manufacturing workforce. America's "secret sauce" for success lies in a workforce at all levels equipped with the science and math backgrounds necessary to compete with the best, and the creativity and leadership to be solution pace setters for the world.

In conclusion, *manufacturing matters* to our economy. Our long-term opportunities lie with advanced manufacturing and emerging technologies — and in America's ability to lead in the innovation and R&D and with a workforce talented enough to competitively produce these products. Taking full advantage of these opportunities will require creating and cultivating effective public-private collaboration resulting in the United States being consistently recognized as the leader in workforce talent and innovation. Actions that facilitate collaboration across all the stakeholders in this important value chain can help the U.S. drive high-value job creation and economic prosperity for generations to come.

Thank you for this opportunity.

I look forward to addressing your questions.